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U.S. Congress. House.

To create a Board of
Accountancy for the...

Washington

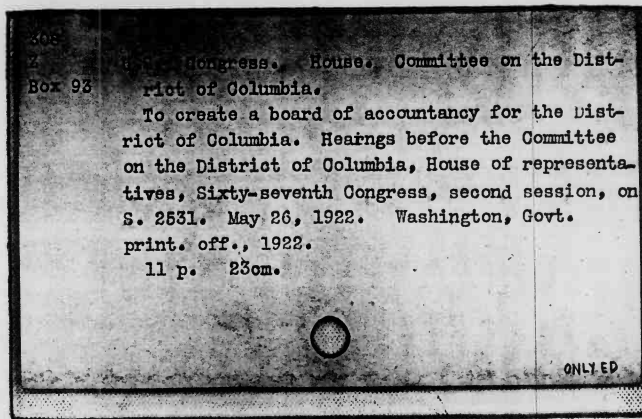
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TO CREATE A BOARD OF ACCOUNTANCY
FOR THE DISTRICT OF COLUMBIA

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HEARINGS

BEFORE THE

COMMITTEE ON THE DISTRICT OF COLUMBIA

HOUSE OF REPRESENTATIVES

SIXTY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 2531

—
MAY 26, 1922



WASHINGTON
GOVERNMENT PRINTING OFFICE
1922

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TO CREATE A BOARD OF ACCOUNTANCY FOR THE DISTRICT OF COLUMBIA.

SUBCOMMITTEE OF THE COMMITTEE ON THE DISTRICT OF COLUMBIA,
HOUSE OF REPRESENTATIVES,
Friday, May 26, 1922.

The subcommittee this day met, Hon. Frederick N. Zihlman presiding.

Mr. ZIHLMAN. The subcommittee will be in order. This meeting is called for the purpose of considering Senate bill 2531, a bill to create a board of accountancy for the District of Columbia, and for other purposes. The reporter will insert a copy of the bill at this point.

(Said bill follows:)

[S. 2531, Sixty-seventh Congress, second session.]

AN ACT To create a board of accountancy for the District of Columbia, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That any person who has received from the board of accountancy, hereinafter created, a certificate of his qualifications to practice as a public accountant shall be known and styled as a "certified public accountant," and no other person, and no partnership all of the members of which have not received such certificate, and no corporation shall assume such title or the title of "certified accountant" or the abbreviation "C. P. A.," or any other words, letters, or abbreviations tending to indicate that the person, firm, or corporation so using the same is a certified public accountant.

SEC. 2. That for the purpose of this act a public accountant is hereby defined as a person skilled in the knowledge and science of accounting, who holds himself out to the public as a practicing accountant for compensation, and who maintains an office for the transaction of business as such, whose time during the regular business hours of the day is devoted to the practice of accounting as a professional public accountant.

SEC. 3. That there is hereby created a board of accountancy in and for the District of Columbia, to consist of three members, to be appointed by the Commissioners of the District of Columbia, and who, with the exception of the members first to be appointed, shall be the holders of certificates issued under the provisions of this act. The members of the board first to be appointed shall be skilled in the knowledge, science, and practice of accounting, and shall have been actively engaged as professional public accountants within the District of Columbia for a period of at least three years, and shall hold office, one for one year, one for two years, and one for three years, and until their successors are appointed and qualified. The term of each member is to be designated by the commissioners in each appointment. Their successors shall be appointed for terms of three years from the dates as aforesaid and until their successors are appointed and qualified. The commissioners may, after full hearing, remove any member of the board for neglect of duty or other just cause. The board shall organize by the election of a president and a secretary and a treasurer, and may make all rules and regulations necessary to carry into effect the purposes of this act. Any two members acting as a board shall constitute a quorum for the transaction of business.

SEC. 4. That the board of accountancy shall not grant a certificate as a certified public accountant to any person other than (a) a citizen of the United States, or one who has duly declared his or her intention of becoming such citizen, who is over the age of twenty-one years, and (b) of good moral character, (c) who is a graduate of a high school with a four years' course or has had an equivalent education, and (d) who has received a diploma from some recognized school of accountancy and has had one year's experience in the employment of a practicing certified public accountant, or

has had three years' experience in the employ of a practicing certified public accountant, and (e) except under the provisions of section 6 of this act, who shall have successfully passed examinations in the theory and practice of general accounting, in commercial law as affecting accountancy, and in such other related subjects as the board may deem advisable: *Provided*, That the board of accountancy may waive the provision for accounting experience as set forth in clause (d) above, and in lieu thereof may hold in abeyance a certificate to any person who shall otherwise have qualified until such time as the applicant can prove to have served two years in the employ of a practicing certified public accountant: *Provided further*, That the board may waive the requirements for service in the employ of a practicing certified public accountant as set forth in clause (d) above, in the case of any person who has had not less than five years' actual and continuous experience in auditing the books and accounts of other persons in three or more distinct lines of commercial business, but nothing contained in this act shall be construed as granting any power to waive any provision of this act other than as set forth herein, nor shall any such waiver be granted except by the unanimous vote of the members of the board.

Sec. 5. That all examinations provided for herein shall be conducted by the board. The examination shall take place as often as may be necessary in the opinion of the board, but not less frequently than once each year. The time and place of holding examinations shall be duly advertised for not less than three days in one daily newspaper published in the District of Columbia, beginning not less than thirty days prior to the date of each examination.

Sec. 6. That the board of accountancy may, in its discretion, waive the examination and issue a certificate as certified public accountant to any person possessing the qualifications mentioned in section 4 of this act who is the holder of a certificate as certified public accountant issued under the laws of any State or Territory which extends similar privilege to certified public accountants of the District of Columbia, provided the requirements for such certificate in the State or Territory which has granted it to the applicant are, in the opinion of the board, equivalent to those herein required; or who is the holder of a certificate as certified public accountant, or the equivalent thereof, issued in any foreign country, provided the requirements for such certificates are, in the opinion of the board, equivalent to those herein required; or who has been practicing as a public accountant in the District of Columbia for more than three consecutive years next preceding the passage of this act, whose qualifications are, in the opinion of the board, equivalent to those required by section 4 of this act, and who shall apply in writing to the board for such certificate within six months after the passage of this act.

Sec. 7. That the board of accountancy may revoke any certificate issued under this act for unprofessional conduct or other sufficient cause: *Provided*, That notice of the cause for such contemplated action and the date of the hearing thereon by the board shall have been mailed to the holder of such certificate at his or her registered address at least twenty days before such hearing. No certificate issued under this act shall be revoked until the board shall have held such hearing, but the nonappearance of the holder of any certificate, after notice as herein provided, shall not prevent such hearing. At all such hearings the corporation counsel of the District of Columbia or one of his assistants designated by him shall appear and represent the interests of the public.

Sec. 8. That the board of accountancy shall charge for the examinations, together with certificates to successful applicants, provided for in this act, a fee of \$25. This fee shall be payable by the applicant at the time of making his or her initial application. Should the applicant fail to pass the required examination subsequent examinations will be given the same applicant for an additional fee of \$10 for each examination. From the fees collected under this act the board shall pay all expenses incident to the examinations, the expenses of issuing certificates, and traveling expenses of the members of the board while performing their duties under this act; and if any surplus remain on the 30th day of June of each year the members of the board shall be paid therefrom such reasonable compensation as the Commissioners of the District of Columbia may determine: *Provided*, That no expenses incurred under this act shall be a charge against the funds of the United States nor the District of Columbia. The board shall annually report the number of certificates issued and the receipts and expenses under this act during each fiscal year to the Commissioners of the District of Columbia.

Sec. 9. That if any person shall represent himself or herself to the public as having received a certificate as provided for in this act, or shall assume to practice as a certified public accountant without having received such certificate, or if any person having received such certificate shall hereafter lose the same by revocation, as provided for in this act, and shall continue to practice as certified public accountant, or use such title or any other title mentioned in section 1 of this act, or if any person shall

violate any of the provisions of this act, such person shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding \$500 or by imprisonment not exceeding six months, or by both fine and imprisonment, in the discretion of the court.

Mr. ZIHLMAN. As chairman of the subcommittee, I will state that I have notified those who requested my office for the privilege of being heard on this bill. I do not know just whom these gentlemen represent. I will state, however, that Mr. Millsbaugh and I have discussed the matter, and we request the speakers to limit themselves to a reasonable time, and if they want to elaborate on what they have to say that they file it in the form of a brief and it will be printed in the hearings as part of their remarks, if they desire.

Have you gentlemen arranged any order of procedure in which you wish to be heard? Is some one here from the National Association of Certified Accountants who wishes to be heard?

TESTIMONY OF MR. J. R. HUTCHISON.

(The witness was duly sworn by Mr. Zihlman.)

Mr. HUTCHISON. Mr. Chairman, in going over the bill I find that it does not regulate accountants within the District of Columbia. If the bill should go through as it is, it would be a bill to create a board of C. P. A.'s in the District of Columbia. In creating a board of C. P. A.'s in the District of Columbia and issuing certified public accountant certificates to the accounting profession or those who pass their examination they could not do a thing more than a public accountant can do who does not take the examination. I will agree that we need a certified public accountant's bill in the District of Columbia, but the bill should be a bill to regulate accountants; in other words, that a professional accountant in the District of Columbia should be a certified professional or public accountant or else be not an accountant at all. The same thing applies to a doctor. He is either a doctor or he is not a doctor. What value would there be to a bill making a man a doctor of medicine if another fellow who is not a doctor can prescribe medicine the same as a doctor? We find the same thing with an attorney. An attorney is either an attorney or he is not an attorney. In other words, he passes the State bar examination and becomes a member of the profession; therefore he is allowed to practice as an attorney and no one else is allowed to practice as an attorney.

We find that under this bill it would create certified public accountants in the District but what does that mean? It means nothing whatever. A man who is not certified can do just exactly the same as a man who is certified.

What we are trying to do through our association is to make accountancy a profession, and instead of issuing a degree issue a license so that the accountant will be a licensed accountant or he will not be an accountant at all.

I wish to take exception to section 4, on page 3, which provides:

"That the board of accountancy shall not grant a certificate as a certified public accountant to any person other than (a) a citizen of the United States, or one who has duly declared his or her intention of becoming such citizen, who is over the age of 21 years and (b) of good moral character, (c) who is a graduate of a high school with a four years' course or has had an equivalent education, and (d) who has received a diploma from some recognized school of accountancy and has had one year's experience in the employment of a practicing certified public accountant, or has had three years' experience in the employ of a practicing certified public accountant, and (e) except under the provisions of section 6 of this act, who shall have successfully passed examinations in the theory and practice of general accounting, in commercial law as affecting accountancy, and in such other related subjects as the board may deem advisable: *Provided*, That the board of accountancy may waive the provision for accounting experience as set forth in clause (d) above, and in lieu thereof may hold in abeyance a certificate to any person who shall otherwise have qualified until such time as the applicant can prove to have served two years in the employ of a practicing certified public accountant."

I want to go back to clause (d), "who has received a diploma from some recognized school of accountancy and had had one year's experience in the employment of a practicing certified public accountant." I see where there might be great difficulty in recognizing what or which school would be a recognized school of accountancy. We have a great many schools in the District of Columbia which are teaching accountancy, and while some of them may be first-class professional schools I will say that some are not. However, I would not care to designate which are not or which are. Then the other part of that clause is, "or has had three years' experience in the employ of a practicing certified public accountant." If an accountant has not had a high

school education, with a certain amount of reading and three years' experience, we might waive the high school and admit him under that class, but I do not like the idea that he must serve three years in the employ of some office before he can sit down and take the examination and become a certified public accountant. We find in most States where attorneys are admitted to the bar that they are admitted to the bar after going through college, and it is not necessary, after completing their college course, that they should study under some other attorney for three or four years. Therefore, I say that public accountants, after they have completed their course, should be allowed to take the examination and if they pass the examination they should be granted a certificate as certified public accountants.

It further states in section 4, under clause (e): "Except under the provisions of section 6 of this act, who shall have successfully passed examinations in the theory and practice of general accounting, in commercial law as affecting accountancy, and in such other related subjects as the board may deem advisable: *Provided*, That the board or accountancy may waive the provision for accounting experience as set forth in clause (d) above, and in lieu thereof may hold in abeyance a certificate to any person who shall otherwise have qualified until such time as the applicant can prove to have served two years in the employ of a practicing certified public accountant."

Suppose that in the District of Columbia 50 or 100 should take the C. P. A. examination and pass it; where would they get employment in offices of C. P. A.'s for two years before they would be able to practice on their own account? In other words, their certificates would be held up until such time as they had actually served two years as apprentices in some certified public accountant's office here in the city. Now, there are not enough certified public accountants in the District of Columbia to permit of one-tenth of the professional accountants in the District of Columbia obtaining employment for two years in such offices.

For a bill in the District of Columbia I would like to see the best bill; the best bill that could be made. I would like to see a bill that would create and make accountancy a profession. We do not find anything in this bill which will elevate the profession of accountants or that would change it in any way from the way it stands now.

As a certified public accountant I can go out and practice as a certified public accountant; suppose I were not a certified public accountant; I can go out and do in the District of Columbia just exactly the same as a man who becomes a certified public accountant under this bill.

Mr. ZIHLMAN. I want to ask you one or two questions: You are president of the National Association of Certified Public Accountants?

Mr. HUTCHISON. I am; yes, sir.

Mr. ZIHLMAN. You yourself are a C. P. A.?

Mr. HUTCHISON. C. P. A. No. 1, from Wyoming, and C. P. A. from the State of Iowa.

Mr. ZIHLMAN. How do the requirements of your association compare with the requirements of the State laws? You have criticized the law proposed here. Is not this law almost identical with the laws adopted in the various States of the Union in dealing with the profession of public accountants?

Mr. HUTCHISON. Well, it is pretty uniform with the State laws, but the laws are being changed in a great many of the States.

Mr. ZIHLMAN. How does the examination imposed by your association compare with the examination imposed by the boards of examiners in the various States?

Mr. HUTCHISON. I will say it is a great deal harder.

Mr. ZIHLMAN. I have a letter here which you wrote to one of the applicants stating that your board had decided the man was not qualified to hold a certificate, and yet you accepted him as a member and urged upon him the necessity of continually trying to perfect his knowledge of the theory and practice of the profession, but you requested and urged him to refrain from using his title or from attempting to practice the profession until such time as "you know you are sufficiently qualified to meet the demands which may be made upon you." That would not indicate to me that your association is very exacting as to the standards required if you issue a man a certificate and then tell him not to use it.

Mr. HUTCHISON. I do not believe I signed that letter and I do not believe it is signed by the board of examiners. It may have been written by some officer or something like that. Would you mind giving me the gentleman's name or the number or whatever it might be—I mean the party to whom it is issued?

Mr. ZIHLMAN. I understand what you want. It is written to Harry W. Bundy, 407 Law Building, Norfolk, Va. You wrote him on the 28th and on the 24th you wrote him—

Mr. HUTCHISON (interposing). I did not write him that myself.

Mr. ZIHLMAN. It is on your stationery.

Mr. HUTCHISON. It may be on our stationery, but it is not written by me, I can assure you of that.

Mr. MILLSAUGH. What did he write him on the 24th?

Mr. ZIHLMAN. On the 24th they wrote him that they accepted him and on the 28th they were sending him a certificate and identification card.

Mr. HUTCHISON. Have you my letter to him?

Mr. ZIHLMAN. I have a copy of it, yes.

Mr. HUTCHISON. Have you the one I sent to him myself?

Mr. ZIHLMAN. The one signed by you, or marked signed by you, simply advises him that you are pleased to inform him that the board of examiners of the national association has passed favorably on his application, that you send him his certificate and his card, that the certificate is one that will be a credit to the profession, and one that he will be pleased to hang in his office. Now, Mr. Carpenter, who is, I see, the vice president and treasurer of the association, wrote the letter I have referred to as being dated the 28th, and in that letter he states that the board had decided he was not qualified, but they would send him a certificate which he could use when he thought he was qualified to practice the profession.

Mr. HUTCHISON. I knew nothing whatever about what some officer may have written him outside of myself. The board passed on him after his credentials were inspected and a certificate was sent to him. I have several of Mr. Bundy's references here and if there is no objection I would like to read some of them. These are from his own town. This one is from the president of the Savings Bank & Trust Co., Elizabeth City, N. C. This was our inquiry:

"Mr. Harry W. Bundy, of 407-413 Law Building, Norfolk, Va., has made application for membership in the above association, and has given your name as a reference. Will you kindly furnish us the following information as to his ability as an accountant? Whatever information you furnish will be held strictly confidential.

Yours very truly,

CHARLES F. BELSER, Secretary."

This is the answer:

"Age, about 28. Married or single, single. Educational qualifications, high school; Eastman Business College. Experience as an accountant, bookkeeper for Stevens Jobbing Co., Elizabeth City, N. C.; one or two years with Lee Rawlings & Co., C. P. A., Norfolk, Va. General reputation, excellent.

"Remarks: A very fine and honorable young man, energetic and dependable.

"Signed, P. H. Williams.

"Street, ———, City, Elizabeth City, N. C.

"Business, president Savings Bank & Trust Co."

I have another one here, the beginning of which is the same. It is as follows:

Dr. A. L. PENDLETON, Postmaster,
President Carolina Banking & Trust Co., Elizabeth City, N. C.

DEAR SIR: Mr. Harry W. Bundy, of 407-413 Law Building, Norfolk, Va., has made application for membership in the above association and has given your name as reference.

Will you kindly furnish us the following information as to his ability as an accountant? Whatever information you furnish will be held strictly confidential.

Yours very truly,

CHARLES F. BELSER, Secretary.

This is the answer:

Age, about 25. Married or single, single. Educational qualifications, high-school graduate. Experience as an accountant, employee of A. Lee Rawlings Co. (public accountants, Norfolk, Va.), formerly bookkeeper Stevens Jobbing Co., Elizabeth City, N. C. General reputation, good.

"Remarks: A very excellent and competent young man. Has audited the books of the Standard Drug Co. (wholesale), of which the writer is owner, for two years and did the work most satisfactorily.

"Signed, A. L. Pendleton.

"Street, 511-513 East Fearing, Elizabeth City, N. C.

"Business, president Carolina Banking & Trust Co.; owner Standard Drug Co."

Now, I have several others here pertaining to Bundy and his general reputation and qualifications, but at this time I do not care to read them into the record. I think the two I have read are sufficient. We have a world of information on Mr. Bundy, I can assure you, and if every applicant before a C. P. A. board of any State or anywhere else, gets as thorough a going over as Mr. Bundy did a complete record will be in the files, and they will find him a first-class accountant.

Mr. ZIHLMAN. Mr. Millsbaugh may want to ask you some questions. He went over to answer a roll call, and if he wants to ask any questions you can again take the stand.

TESTIMONY OF MR. DANIEL O'HAIRE, OF WASHINGTON, D. C.

(The witness was duly sworn by Mr. Zihlman.)

Mr. ZIHLMAN. Whom do you represent?

Mr. O'HAIRE. I represent a committee of public accountants of the District of Columbia that held a meeting to discuss this bill some time ago, and as chairman of that committee I filed a brief with the commissioners.

Mr. ZIHLMAN. You may proceed with your statement.

Mr. O'HAIRE. I can not recall the exact date of the meeting, neither can I recall the time at which that position was presented to the District Commissioners, but it is written in the hearings before the Senate committee, at which I was not present. Since filing that brief and looking over the amended bill which is now before the committee for consideration, I myself am of the opinion that that bill meets the principle of all the objections which were outlined in the brief, with the possible exception that it does not regulate the practice of accountancy in the District of Columbia; but rather than have the work that has been done in preparing the bill and getting it to this stage set aside, it is my personal opinion that this bill should be passed in its present form. I also wish to state that my name was at various times, either directly or indirectly, in the brief filed by Mr. Donovan and others, identified with the national association. I have no connection whatsoever with the national association or any other association.

Mr. O'HAIRE. I also wish to say that at that meeting held here, which is referred to in the brief, and in the caption of it, I believe, it was the consensus of opinion that an applicant should hold a diploma from some recognized school of accountancy before he could secure his degree, or be eligible to secure a degree, was the most objectionable feature. The other feature which was brought out was the feature that the bill should be a bill to recognize the practice of accountancy in the District of Columbia and keep out of the public practice of the profession those who were not licensed by the board, and, also, that penalties should be written into the bill to put some teeth in it. The amendment that has been suggested originated with myself. That is referred to in the brief. I think, and I think that every accountant that has the value of his profession at heart believes that an accountant who sets his name to a misstatement of fact should be punished, not alone by fine but by imprisonment, because nine-tenths of the practicing accountants have no financial responsibility.

Mr. ZIHLMAN. Is it possible for an accountant who is unable to pass the examination in the various States to practice here in the District of Columbia?

Mr. O'HAIRE. Yes, sir; it is. Anyone can practice in the District of Columbia at the present time that calls himself a public certified accountant, or any other designation that he sees fit.

Mr. ZIHLMAN. Referring to the holders of those more than 3,000 certificates issued by the national association, have you any knowledge as to the percentage of those holders of certificates that are certified public accountants under examinations in the various States?

Mr. O'HAIRE. No, sir; I have not any knowledge of my own.

Mr. ZIHLMAN. Would you say that the percentage was large or small?

Mr. O'HAIRE. Not being in possession of any facts or anything bearing on it, I am not in a position to make anything more than a guess, and I would not be qualified to even make a guess at it.

Mr. ZIHLMAN. That is all, unless you have something further to say.

Mr. O'HAIRE. I have nothing further to say.

TESTIMONY OF MR. FRANK E. WEBNER, WASHINGTON, D. C.

(The witness was duly sworn by Mr. Zihlman.)

Mr. WEBNER. I speak as a member of the committee on legislation of the District of Columbia Institute of Accountants. It so happens that I prepared this bill. Major Donovan was with me when I handed it to Senator Capper, but he only went with me to say that the commissioners approved it. I prepared it. Now, in answer to Mr. Hutchison concerning the professions of medicine, law, and accountancy, and the need of regulations prohibiting accountants from practicing without a registration, as doctors and lawyers are prohibited, I have this to say, that in the case of medicine that involves life, and must absolutely come under the care and jurisdiction of those having it in charge. They must know absolutely the fitness of the physician or sur-

geon to practice his profession, and most certainly they must have had practical experience. They must have been graduated from some recognized school of medicine. That life feature of it makes it absolutely and unqualifiedly necessary that all of them should be registered before they are permitted to prescribe for anybody or to treat anybody for a fee.

In the case of the law, the man who applies for admission to practice at the bar must have had proper training of some kind, and he must have shown fitness for it. Of course, in various States the rules in that connection vary, but for the most part they are required to have had proper schooling and reading under the direction of a lawyer, with some certain amount of experience. Beyond that, their acts are to a considerable extent under the eyes of a learned judge, and they can not, in court at least, go far astray for the reason that they are not allowed to. In the matter of looking up titles and other desk matters that the lawyer performs, that is largely done on faith of the person who intrusts his work to the lawyer, and there is no law that I know of that would permit a man who was an attorney in Nebraska or California or the State of Maine or Mississippi, but who had not been admitted to practice at the bar of the District of Columbia—there is nothing that I know of that would prevent him from examining titles and from preparing bills of sale and that kind of thing; but when you come to the matter of accountancy, to my mind it would be positively ridiculous to suggest such a thing; that is, that nobody might take on the services of an accountant for money, which would make him a public accountant in that sense, unless he had passed an examination before a C. P. A. board, because there are many lines of accountancy work that do not need the C. P. A. particularly, and that do not need a person who is skilled and has knowledge along all the various ramifications of the higher needs of certified public accountancy.

There are many persons who practice in a small way. They may be what we call twilight practitioners, on whom the Government frowns, as you know, but they might work as clerks in stores, and they are not necessarily in the Government service. They may clerk some part of the time, during the morning, for instance, and have two, three, or four different concerns or clients, if they want to designate them as such, and that service would be performed in a more or less clerical capacity or in the capacity of bookkeeper. He or she might be termed a public accountant, or he or she might sign himself or herself as a public accountant, as such a person would be if he or she were serving two or three or more concerns. So far as the recognized schools of accountancy are concerned, there are splendid ones here and there are good extension courses given. It is not necessary that it must be done here in the District of Columbia, but they can go to New York if they want to. The same conditions obtain in that connection as obtain in law and medicine, if you please. There are good law schools and there are bad law schools, just as there are good medical schools and bad medical schools.

I do not say that in the sense that they preach wrong practices necessarily, but I mean that they do not have the highest sort of instructors or professors, and that they certify before certification should be granted. Experience is absolutely necessary. It is not necessary under this proposed law that the experience be had here in the District of Columbia. There are many other cities near here where the applicant from here could go and get that experience. One must have experience in any line of business that he is going into. My own son, I know, has spent two years at a Kentucky lumber mill learning the rudiments of the lumber business at 15 cents per hour, and it is no more hardship on these accountants to work for a small amount of money than for a man in any other line of business.

I think the bill as it is drawn now, and as it is before you, is just what it should be.

ADDITIONAL TESTIMONY OF MR. J. R. HUTCHISON.

Mr. MILLSBAUGH. I believe you made a point as to what would be properly construed as a recognized school. Would it not be proper to construe that to mean those schools recognized by the board which this bill seeks to establish?

Mr. HUTCHISON. No, sir; I do not believe it would, for the simple reason that a recognized school should be a straight two, three, or four year course school, the same as a recognized school for law, medicine, dentistry, the ministry, or any other profession. Answering your question, I would say that there is too much of a chance for one member of the board or three members of the board tying up with some school here in the District of Columbia or opening a school, as we find it to exist in many States, where a member of the board is in some way connected with some school.

Mr. MILLSBAUGH. Would not that be the case along any line for any board, whether of accountancy or otherwise? They might improperly function. The best we could do would be to prepare a law that would appoint a board and then trust to their honesty

and integrity. Then, if they failed to function that way, charges might be brought against them and the board removed.

Mr. HUTCHISON. Exactly.

Mr. MILLSPAUGH. What do you think of the provision in the bill relative to persons who have simply taken out their first papers or made declaration of citizenship?

Mr. HUTCHISON. Well, that depends a great deal. I have no personal grievance or objection to a foreigner competing with me in accountancy, if he is qualified and can pass the examination. Personally I have no objection to issuing to him a C. P. A. certificate.

Mr. MILLSPAUGH. May I ask you where the National Association of Certified Public Accountants derives its authority for issuing certificates?

Mr. HUTCHISON. Under the corporation law of the District of Columbia.

Mr. MILLSPAUGH. It is a corporation which is simply incorporated under the general law?

Mr. HUTCHISON. You would have to take that up with our general counsel.

Mr. MILLSPAUGH. It is a corporation incorporated under the general corporation laws of the District of Columbia, is it not?

Mr. HUTCHISON. I can not say as to that. It is a corporation incorporated here in the District of Columbia.

Mr. MILLSPAUGH. Any other body of men could get together and incorporate such an association, could they not?

Mr. HUTCHISON. I presume so.

Mr. MILLSPAUGH. And they could issue degrees?

Mr. HUTCHISON. I presume so.

Mr. MILLSPAUGH. Are these applicants given any training by the association or just an examination?

Mr. HUTCHISON. Well, we have junior accountants, and we train the juniors and give them examinations. Otherwise we give them the examination without training.

Mr. MILLSPAUGH. Is that entirely a written examination?

Mr. HUTCHISON. No, sir; it is partly written and partly oral.

Mr. MILLSPAUGH. Is the examination always given here?

Mr. HUTCHISON. No, sir.

Mr. MILLSPAUGH. How do you conduct the oral examination?

Mr. HUTCHISON. We send examiners out. For instance, in New York City, where we hold examinations, an examiner goes from here.

Mr. MILLSPAUGH. One examiner?

Mr. HUTCHISON. Yes, sir. Of course, he employs other examiners.

Mr. MILLSPAUGH. What fee do you charge?

Mr. HUTCHISON. \$15.

Mr. MILLSPAUGH. That is the fee for a certificate?

Mr. HUTCHISON. We charge \$15 for the examination whether they pass or not.

Mr. MILLSPAUGH. That is the total cost?

Mr. HUTCHISON. Yes.

Mr. MILLSPAUGH. There is no organization in any other State that you cooperate with at all?

Mr. HUTCHISON. No, sir.

Mr. MILLSPAUGH. Did you make an explanation of this letter of the 28th of December to Mr. Bundy in regard to issuing his certificate, whereby request was made of him that he withhold his certificate for a while and until he was better prepared?

Mr. HUTCHISON. The fact of the matter is that I have nothing pertaining to that letter.

That letter seems to have been written by some officer of ours, but I made a complete explanation, and you will find it recorded in the minutes of the hearing, together with some references that Mr. Bundy gave.

Mr. MILLSPAUGH. The Mr. Carpenter who signed the letter—

Mr. HUTCHISON (interposing). Is the treasurer.

Mr. ZIHLMAN. Is there any one else here who is opposed to the bill?

Mr. CARPENTER. I would like to say a few words.

Mr. ZIHLMAN. You are the vice president of this national association?

Mr. CARPENTER. Yes, sir.

TESTIMONY OF MR. C. R. CARPENTER.

(The witness was duly sworn by Mr. Zihlman.)

Mr. CARPENTER. In regard to the bill, I would like to try and straighten out something as to the idea of the national association. As to whether the bill goes through or not, the national association does not particularly care, but as a member of the profession I am interested in the bill. We have C. P. A.'s in all the States. We have lawsuits in several of the States where they have decided that the bill does not

mean anything, and if this bill passes I can come in as a mechanic and I can start up as a certified public accountant and so long as I do not say I am a certified public accountant, just so long as I do not say I am a certified public accountant of the District of Columbia, then I am not violating this bill.

The national association is purely a private membership association and the certificate we issue is not a license; it is purely a membership certificate and has nothing to do with licensing anyone to practice; it has nothing to do with the fact of whether they practice or not. We are a corporation the same as the Elks or Odd Fellows or any other such organization. I am not a member of any of them, but I suppose they issue certificates.

The national association, as an association, does not care a single whit about this bill but as individuals who have the profession at heart, who have practiced it, and intend to practice it, we do care. We would like to see a bill in the District, if we are going to have one at all, that really means something.

Mr. Millsbaugh brought up the question as to citizens of the United States or those who have duly declared their intention to become citizens. I am not an attorney, but I do not believe that is constitutional; I believe that violates the fourteenth amendment to the Constitution.

Mr. ZIHLMAN. Mr. Carpenter, the national association is a corporation?

Mr. CARPENTER. Yes.

Mr. ZIHLMAN. With a board of directors?

Mr. CARPENTER. Yes.

Mr. ZIHLMAN. Are all the directors located in Washington or the District of Columbia?

Mr. CARPENTER. At the present time, yes.

Mr. ZIHLMAN. And they elect the officers?

Mr. CARPENTER. They do.

Mr. ZIHLMAN. What salary do you get as vice president of the association?

Mr. CARPENTER. At the present time I am not getting any.

Mr. ZIHLMAN. How many paid officials has the association?

Mr. CARPENTER. At the present time I believe it has two.

Mr. ZIHLMAN. How many are on the board?

Mr. CARPENTER. At the present time there are four.

Mr. ZIHLMAN. Do the holders of the certificates vote in the selection of the directors?

Mr. CARPENTER. Yes, sir.

Mr. ZIHLMAN. How? By mail?

Mr. CARPENTER. No, sir; in person or by proxy. Each member has as much to say about it as any other member.

Mr. MILLSPAUGH. About what territory does your membership cover?

Mr. CARPENTER. Well, it covers the whole United States, I believe; I am not positive of that, but I believe we have members in every State of the Union, and I believe we have some outside the United States.

Mr. MILLSPAUGH. How long has it been incorporated?

Mr. CARPENTER. One year, or very nearly, lacking a few days.

Mr. MILLSPAUGH. How many elections have you had?

Mr. CARPENTER. We have not had any as yet.

Mr. MILLSPAUGH. The first officers were the ones chosen at the time you were incorporated?

Mr. CARPENTER. Yes, sir.

Mr. MILLSPAUGH. Then, when you say the holders of certificates vote by proxy or in person, you mean they will do so when the time comes for holding an election?

Mr. CARPENTER. Yes, sir; the same as in any other organization.

Mr. MILLSPAUGH. In case a person from my State, Missouri, made application for an examination how would you conduct it?

Mr. CARPENTER. Well, it would probably be conducted—of course, I can not say authoritatively, because that is taken up by the board—but it would probably be conducted by sending an examiner out from here or sending some other qualified member to conduct the examination.

Mr. MILLSPAUGH. It would cost \$100, at the lowest estimate, to send an examiner out there.

Mr. CARPENTER. Well, he would not probably be sent to examine one member alone.

Mr. ZIHLMAN. But you really do send examiners out?

Mr. CARPENTER. Yes; I have done most of it myself.

Mr. MILLSPAUGH. How wide a territory have you covered in making examinations?

Mr. CARPENTER. Well, I have covered Chicago and New York.

Mr. MILLSPAUGH. Have you been to Chicago?

Mr. CARPENTER. Yes, sir.

Mr. MILLSPAUGH. Mr. Carpenter, referring to the letter of the 28th of December, which purports to be signed by you—

Mr. CARPENTER (interposing). Yes; it was signed by me.

Mr. MILLSPAUGH. Do you not think, to say the least, that was a little unusual?

Mr. CARPENTER. Not under the circumstances; no. As Mr. Hutchison read into the record, we had a very good report on Mr. Bundy, but after his certificate was issued word was received from some of our members giving information as to Mr. Bundy's purpose, etc., and I very politely told him what I knew about it; that is all.

Mr. MILLSPAUGH. Do you hold a certificate from any recognized C. P. A.?

Mr. CARPENTER. I did hold one from the State of North Carolina until the Supreme Court of the State of North Carolina declared it was illegally issued by the State of North Carolina, which I paid my money for, put in my time, and took the examination in the usual form.

Mr. MILLSPAUGH. Are there any of the other officers of the association who are qualified certified public accountants from some organization?

Mr. CARPENTER. I believe they all are.

Mr. MILLSPAUGH. You do not oppose this bill, then, except on the theory that it would permit anyone else to practice accountancy here as well as those who were licensed by the board?

Mr. CARPENTER. That is just it. We have no opposition to the bill and I really do not care anything about the bill, except as one member of the profession.

Mr. MILLSPAUGH. Would not that be analogous, though, to this condition: That we have schools for nurses where nurses are licensed, or have certificates granted them, and we have a lot of what are known as practical nurses who have never had that training, and then it is up to the party who desires the services of an accountant to either take one who has a certificate duly authorized or take anybody they want, a clerk out of a store, as has been stated?

Mr. CARPENTER. Are the nurses duly authorized by law?

Mr. MILLSPAUGH. Oh, yes.

Mr. CARPENTER. And the other nurses, who do not have that certificate, can do just the same as the nurses who have it?

Mr. MILLSPAUGH. Yes.

Mr. CARPENTER. It would be very much the same as this.

Mr. MILLSPAUGH. That is the case in Missouri, where we have a very high order of nurses, those who are registered, or, as we call them, registered nurses, and then there are practical nurses, and it is very apparent to the party who desires a nurse whether the nurse is registered or is simply a practical nurse.

Mr. CARPENTER. It would be very much the same, and if that is what the accountants want I can not object myself. But I would like to see a real bill or none at all.

Mr. MILLSPAUGH. What would you call a real bill?

Mr. CARPENTER. Well, for instance, if a bank down here is going to loan out money that I may have in there on an accountant's report I would like to know that that accountant knows something about the report he makes. I would say a real bill would be one that provides that any one who signs the report to go before the public for the purpose of obtaining a loan or for selling stock or anything like that, should be a licensed accountant, and there should be a penalty attached to his signature, if he signs a false report or one which is misleading, because he did not use due and diligent judgment.

Mr. MILLSPAUGH. Should be licensed by whom?

Mr. CARPENTER. By the State, and in this case by the District of Columbia.

Mr. MILLSPAUGH. Under the provisions of this act, if a man has a certificate or license from the board of accountancy, as I understand the law, that is notice to the public that that individual is competent.

Mr. CARPENTER. Is it? Is there anything in that bill which says he must be competent?

Mr. MILLSPAUGH. I think so. He must pass the examination.

Mr. CARPENTER. That does not mean competency. I might study up for an examination, pass it to-day, and to-morrow forget all about it.

Mr. MILLSPAUGH. I presume there are degrees of competency as far as certified public accountants are concerned, the same as in any other profession. A certified public accountant might be able to make out my income tax schedule, but that same public accountant, if he got into a large corporation schedule, would be absolutely incompetent. There are degrees of competency just as there are degrees in knowledge among physicians. I might call in a physician who was duly licensed and he might do a very poor job for me.

Mr. CARPENTER. But if he prescribes poison, you have some comeback against that physician, have you not?

Mr. MILLSPAUGH. None in the world. I am covered up, so that I can not find it.

Mr. CARPENTER. That might be true in your case. But I fail to see any solitary use in the bill at all. It is simply a title which we may give somebody, and we may not, if we feel like it, whereas we could just as well have something which really means something. Of course if you gentlemen want to create a title for certain of us, that is up to you.

Mr. ZIHLMAN. This bill will not do a bit of harm, will it?

Mr. CARPENTER. It will not do any harm.

Mr. ZIHLMAN. But your criticism is it does not go far enough?

Mr. CARPENTER. It would not do a bit of harm; it would not keep anybody from practicing and it would not keep anybody from doing exactly what they are doing now.

Mr. MILLSPAUGH. It would restrain them from using the title of C. P. A., would it not?

Mr. CARPENTER. No. It would restrain them from using the title of C. P. A., District of Columbia, but no other title. Gentlemen, it is really very harmless. I would like, however, if we are going to have something, to have something with teeth in it.

Mr. MILLSPAUGH. I think section 9 covers that.

"That if any person shall represent himself or herself to the public as having received a certificate as provided for in this act, or shall assume to practice as a certified public accountant without having received such certificate, or if any person having received such certificate shall hereafter lose the same by revocation, as provided for in this act, and shall continue to practice as certified public accountant, or use such title or any other title mentioned in section 1 of this act, or if any person shall violate any of the provisions of this act, such person shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding \$500, or by imprisonment not exceeding six months, or by both fine and imprisonment, in the discretion of the court."

I think that has plenty of teeth in it.

Mr. CARPENTER. Probably.

Mr. ZIHLMAN. Section 1 forbids the use of the letters "C. P. A.?"

Mr. MILLSPAUGH. Yes.

Mr. ZIHLMAN. And section 9 applies the penalty?

Mr. MILLSPAUGH. Yes.

Mr. ZIHLMAN. Does anyone else wish to be heard?

Mr. WEBNER. Mr. Chairman, I just want to ask a question. I do not know whether you put into this hearing what is in your files or not, but I want to direct your attention to a letter which Mr. Huddleston wrote to me about a year ago in which he asked me to withdraw my bill from the District Commissioners and let his own go through and characterized that bill as a good bill. I would like to ave that introduced.

Mr. ZIHLMAN. That is the letter dated April 6?

Mr. WEBNER. Yes. "However, this bill is a very good one."

Mr. ZIHLMAN. What bill does this letter refer to, Mr. Webner?

Mr. WEBNER. He sent a bill to the commissioners and conveyed it by letter. About 10 days before his was conveyed by letter my bill was given to the secretary of the commissioners of the District and, therefore, was not there in that sense, strictly. I had no thought of asking the commissioners to have it passed but simply wanted their tentative approval beforehand, that they would not be against it. I assumed that the Committee on the District of Columbia would refer the bill to the commissioners of the District and, therefore, as I said before, I wanted to know beforehand that they would not be positively against it, and if they were, we would introduce it in the regular way.

Mr. ZIHLMAN. The letter will be included in the hearings, as it is very short.

(Said letter follows:)

TREASURY DEPARTMENT,
Washington, April 6, 1921.

Mr. F. E. WEBNER, C. P. A. (Ohio),
Navy Department.

DEAR SIR: As per our conversation of yesterday, inclosed find copy of the bill we presented for enactment.

We believe our bill is a big improvement on the one introduced in 1916, also believe it has many improvements over most State bills. However, your bill is a very good one, but as our bill has gone forward and as we have two of the strongest accounting associations in the District of Columbia behind us, and with more than 5,000 indorsements in favor of the bill, I believe it would be to your advantage to support our bill.

Yours truly,

J. R. HUTCHISON.

(Thereupon, the subcommittee adjourned.)

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MSH 22085

**END OF
TITLE**